

Testimony of Congressman Lincoln Davis

On Behalf of the AMERICAN TIRE INDUSTRY

Before the:

U.S. INTERNATIONAL TRADE COMMISSION
HEARING: CERTAIN OFF-THE-ROAD TIRES FROM CHINA
JULY 9th, 2008

Chairman Aranoff, Vice Chairman Pearson, and Members of
the Commission,

I am very pleased to be here today and provide my input
on the cases before you – off-the-road-tires from China. I want
you to know of my deep commitment to preserving our nation's
manufacturing jobs, and particularly those in my home state of
Tennessee. I have long been concerned about the impact of
unfair foreign trade practices on U.S. manufacturers. The
United States is one of the most open economies in the world.
We welcome goods into this country from all other countries,
and Americans have benefited in many ways from free trade.
However, I also believe that we need to ensure that the rules of

the road are enforced, and that U.S. companies and workers are not injured as a result of unfair trade practices that are condemned by the WTO.

The issues particularly concern me with respect to companies in my own backyard. Bridgestone Firestone North American Tire is a very large employer in my Congressional District. Their facility in Morrison, Tennessee produces 8,100 radial truck and bus tires each day. Although these are different from the tires you are currently investigating, I am concerned about the overall impact on Bridgestone Firestone's operations if the immediate problem of OTR tires from China is not addressed. Moreover, I understand that many of the same unfair trade practices -- dumping and subsidies -- that we have seen the Chinese producers engage in with respect to OTR tires, are also an issue with respect to other types of tires. It is critical that the United States take all measures at its

disposal in dealing with these practices that cause injury to US companies.

In its own investigations, the Department of Commerce found sizeable levels of both dumping and subsidization, with preliminary dumping margins ranging from 16 to 221 percent and preliminary countervailing duty margins ranging between 3 and 20 percent. I really worry about the impact of Chinese subsidies on U.S. companies. The subsidies at issue in this case involve preferential loans from Chinese government-owned banks, subsidized, government-provided rubber inputs, and free land. They also include a waiver of import duties and Value Added Taxes on imported manufacturing equipment and income tax breaks. With subsidized financing, material inputs, land and capital equipment, Chinese tire producers have an enormous and unfair advantage over their competitors in the U.S. I urge you to consider this as you make your assessments regarding injury.

As I have noted, Bridgestone Firestone is a critical component to the health of our economy in Tennessee. The company has invested more than \$660 million in the Morrison plant. Since it began operations in 1990, it has won numerous health and safety awards, and has been accepted into the U.S. EPA's prestigious National Environmental Performance Track program. The facility employs 1,027 workers, with an average annual payroll of more than \$80 million. These are good paying jobs, often union, with wages and benefits averaging about \$40 per hour. Given our precarious job market and recent economic downturn, these jobs are more vital than ever before.

The information you have gathered in this investigation shows a clear pattern of Chinese companies increasing their imports and, by charging very low prices, gain market share. Between 2004 and 2007, the data shows that the volume of

Chinese OTR tires increased by 81 percent. U.S. producers' market share dropped during this same period, while the market share of Chinese producers increased from 19 percent to 39 percent. Imports from China in 2007 amounted to an astounding 81 percent of all U.S. production. The losses in market share and low prices have hurt the U.S. producers in a number of ways. The period you investigated should have been banner years for this industry, given the high levels of demand for agricultural, mining and construction equipment over the period. And yet, the benefits of higher demand levels never materialized for American OTR tire producers. Instead, profitability fell to extremely low levels. U.S. producers had to cut production, and shipments fell. There were a series of layoffs, and many facilities have been forced to reduce the number of shifts. All of this has had a devastating impact on the companies and workers in this industry; and at a time when the U.S. economy needs a boost, not more hits.

I represent the Congressional District formerly held by Cordell Hull— a man with a great legacy of breaking down barriers to trade and working well with China. With vision and perseverance, he pursued the idea of an economic order as the basis for peace and prosperity in the world. But the recent actions by China have not been peaceful; rather they have been a malicious attack on the U.S. tire industry and to the detriment of the American economy and worker.

I ask that you carefully consider the ample evidence of injury before you, and I appreciate the opportunity to share my views here today.